



Academy of Arts & Sciences

January 28, 2014

Julie Russell, Director

Bill Fong, Non-Classroom Based Funding Determination

Charter Schools Division

California Department of Education

1430 N Street, Suite 5401

Sacramento, CA 95814

Dear Ms. Russell:

Accompanied along with this correspondence is our 2013-14 Non-Classroom Based Funding Determination applications for the six Academy of Arts & Sciences (AAS) schools that operated during the 2012-13 fiscal year. The data contained in the Funding Determination is based on the 2012-13 year, which was the first operating year for the aforementioned AAS schools. Within the context of the 2013-14 Determination Summary Worksheet, the funding calculation reveals that each of the six AAS schools failed to meet both requirements of 40% spend on certificated salaries and benefits and 80% on total instruction.

Due to the fact that AAS' total expenditures did not meet or exceed the required thresholds, we are requesting your consideration of 100% funding based upon the mitigating circumstances as detailed below. Please note the following:

- As an organization, the Academy of Arts & Sciences were in their first year of operations and as a result, had no reserves for which the school to draw upon to begin the school year, for which there were fixed start up costs.
- AAS experienced constant enrollment growth throughout the fiscal year, specifically in the 2nd semester. The result of this was a significant increase in ADA reported on P-2 when compared to P-1. Albeit a positive for the school, this inflated the annual revenue generated, of which the vast majority did not arrive until after the fiscal year.
- Of the total revenue generated off of the school's P-2, approximately \$975,000 (46%) was not received until after the close of the 2012-13 fiscal year. Please note the following deferrals for each school:
- AAS Del Mar Elementary: \$108,151 deferred, 43% of revenue. (*EPA Funds: \$30,498 Grant Funding: \$77,653*)
- AAS Del Mar High School: \$241,637, 50% of revenue. (*Gen. Entitlement: \$56,608 EPA: \$65,403 Grant Funding: \$119,626*)
- AAS El Cajon High School: \$138,916, 46% of revenue. (*Gen. Entitlement: \$36,566 EPA: \$42,906 Grant Funding: \$59,444*)

- AAS Thousand Oaks: \$324,193, 38% of revenue. (*Gen. Entitlement: \$80,120 EPA: \$81,573 Grant Funding: \$162,500*)
- AAS Oxnard: \$141,816, 57% of revenue. (*Gen. Entitlement: \$53,098 EPA: \$34,281 Grant Funding: \$54,437*)
- AAS Sonoma: \$19,914, 99% of revenue. (*Gen. Entitlement: \$9,124 EPA: \$4,269 Grant Funding: \$6,521*)

The amount of funding that was received after the close of the fiscal year made it impossible for the school reach the required SB-740 thresholds without bankrupting the schools as each awaited the funds. It should also be noted that the EPA funding that was received in June 2013 was not guaranteed until the passing of Proposition 30 in November 2012. Per School Services of California, had this ballot measure not passed, a cut of \$450 per ADA would have been imposed.

Recognizing the potential cash shortage ahead of time, our executive director and board of directors in conjunction with our business service consultant, initiated a strict financial plan to navigate thru our first operational year. Throughout the year all non-essential expenditures were limited to an absolute minimum as concentration focused solely on meeting the obligations for payroll & benefits, curriculum, and leases. These conservative practices allowed AAS to simply survive in a year that resulted in 46% of annual revenues being deferred. It should be mentioned that the schools were able to accomplish this without the need to sell receivables to outside sources and ended the year without any outstanding loans.

As the AAS schools continue our operations into Year 2 and beyond, the same fiscal approaches will resume as followed:

- Financial stability and excellent cash flow monitoring without the need to borrow funds
- Financial budgets and reports submitted to local, state and federal agencies in accordance with GAAP Principals and CDE Requirements
- External auditing of our financial statements that revealed no findings or irregularities

In light of the preceding information, we are requesting the funding committee review our mitigating circumstances request and grant us consideration under the challenge of economic hardship as a first year start up in pressing times. We ask that we may be granted 100% funding for the next five years of our charter so we may continue to serve the community that so greatly needs this educational option for their children.

Sincerely,

Sean McManus

Executive Director